

Message Text

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ACTION SS-25

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FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC IMMEDIATE 0644

C O N F I D E N T I A L GEORGEOTWN 02159

EXDIS

E.O. 11652: GDS

TAGS: EINV,EMIN, GY

SUBJECT: REYNOLDS GUYANA

DEPT PASS OPIC FOR GILBERT

1. ONE ITEM ON AGENDA AT DECEMBER 6 AFTERNOON SESSION WAS ATTEMPT TO ARRIVE AT COMMON TERMS OF REFERENCE WITH RESPECT TO BOOK VALUE OF ASSETS TO BE COVERED BY COMPENSATION, IT BEING UNDERSTOOD THAT OPIC WAS NOT CONCEDED ITS ADEQUACY FOR COMPENSATION PURPOSES. HUNT SUGGESTED DECEMBER 31, 1973 AND SEPTEMBER 30, 1974 GUYANA ASSET FIGURES DERIVED FROM ATTACHMENT TO 9/18/74 GALEA TO GILBERT LETTER AND 11/21/74 TOUCHE ROSS REPORT, RESPECTIVELY. MINMINES JACK PRESENTED DOCUMENT IDENTIFIED AS SCHEDULE M TO CORPORATION TAX RETURN FURNISHED TO COMMISSIONER OF INLAND REVENUE BY REYNOLDS LISTING ASSETS AND LIABILITIES AS OF 12/31/73. SUGGEST YOU GET THIS BY TELECOPIER FROM RICHMOND IF IT IS NOT IN THE BLUE BOOK.

2. THERE ARE SUBSTANTIAL DIFFERENCES BETWEEN THE TWO SETS OF YEAR-END FIGURES BOTH IN TOTALS AND IN CATEGORIES PRESENTED. SCHEDULE M SHOWS "PERMANENT ASSETS - NET" OF US DOLS 8,488,021, SHOWS "DEFERRED CHARGES" OF US DOLS 3,206,931 AND INCLUDES AS SEPARATE ITEMS DEFERRED STOPPING AND GEOLOGICAL EXPENSE TOTALLING ABOUT US DOLS 2.9 MILLION. OUR FIGURES SHOWED ONLY DOLS 50 THOUSAND FOR 9/30/74 DEFERRED CHARGES AND NONE FOR 12/31/73.

3. HUNT SUGGESTED THAT DIFFERENCES IN ACCOUNTS MIGHT BE DUE TO SCHEDULE M HAVING TO PRESENT FIGURES IN FORMAT PRESCRIBED BY
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GOG INCOME TAX REGULATIONS WHICH DID NOT TRACK WITH NORMAL ACCOUNT-

ING PRACTISE. GOG TAX OFFICIAL AT MEETING DENIED THIS WAS THE CASE. IN ANY EVENT, AFTER EXCLUDING STRIPHING AND GEOLOGICAL CHARGES, IT APPEARS THAT GOG HAS BEEN USING A TOTAL ASSET FIGURE OVER US DOLS 800 THOUSAND LESS THAN WHAT WE HAVE, AND HAS BEEN REFERRING TO A "NET PERMANENT ASSET" FIGURE OF US DOLS 8.488 MILLION WHERE WE HAVE BEEN USING A "NET PROPERTY, PLANT AND EQUIPMENT" FIGURE OF US DOLS 10.604 MILLION.

4. ACTION REQUESTED: GILOERT TO CONTACT REYNOLDS FOR GUIDANCE ON RECONCILIATION, WITH PARTICULAR ATTENTION TO DEFINITION OF "DEFERRED CHARGES" FOR PURPOSES OF SETTLEMENT AGREEMENT. DRAFT AGREEMENT, DRAWING ON COMMENTS BY JACK AND TERMS OF ALCAN AGREEMENT, PROVIDES FOR EXCLUSION OF DEFERRED CHARGES FROM ASSETS TO BE ACQUIRED. JACK'S RECOLLECTION IS THAT THIS DID NOT INVOLVE A SIGNIFICANT AMOUNT IN THE ALCAN CASE.
KREBS

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